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NeuGroup Research Debriefing:
Treasury's 2024 Agenda

NILLY ESSAIDES

Managing Director of Research & Insights

nessaides@neugroup.com

Survey Highlights

1

Economic downturn.

Treasurers' #1 risk next year is an economic downturn, reflecting their interest rate expectations. Cost pressures thus ranked as #2 in their ranking of major obstacles in realizing next year's objectives.

- *57% of respondents expect interest rates to remain high or even rise next year.*

2

Financing and liquidity.

Expectations of lower revenues and higher borrowing rates are elevating the importance of treasury's mandate as the custodian of liquidity.

- *Ensuring liquidity in uncertain economic times was the objective most-often selected as treasurers' #1 priority this year.*

3

Cloud stalls.

The migration to cloud-based applications to serve treasury has not kept up with expectations. The pace looks to pick up, however, in line with the #3 priority to accelerate digital transformation.

- **43% of respondents have a cloud-based TMS and an additional 56% expect to have one over the next 12-24 months.**

4

Treasury FTEs doing even more with less.

As data management improves to feed automation and AI tools, the trend in treasury headcount is downward.

- **RPA adoption more than doubled, while advanced analytics and AI/ML solutions are surging toward majority adoption in next 2 years.**
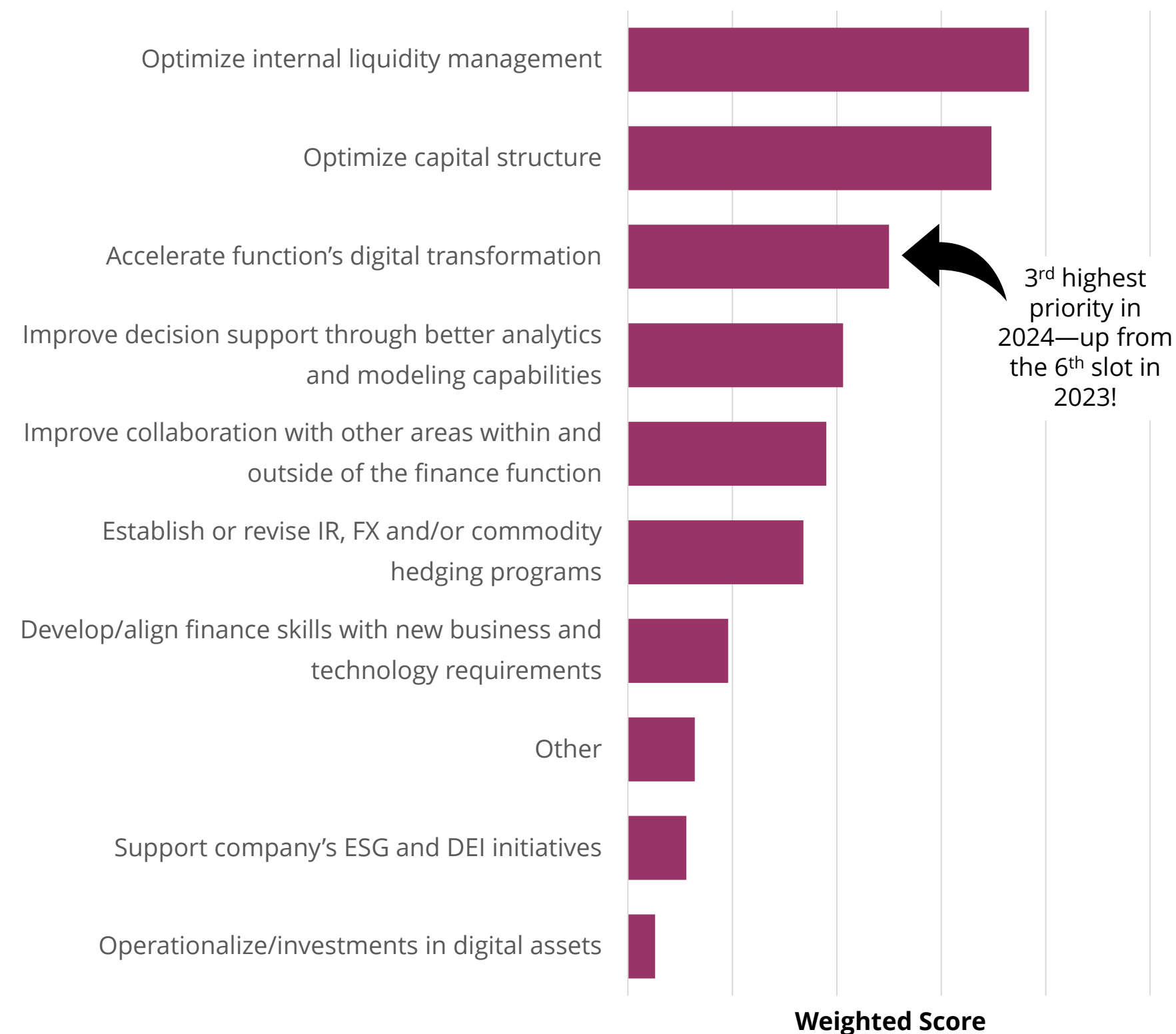
Treasury's 2024 Priorities

A LIQUIDITY MINDSET. Most (57%) treasurers expect US interest rates to remain high or even rise in 2024, affecting borrowing rates and revenue. These concerns are reflected in their top-2 objectives, which combine a focus on internal cash generation and reducing the need for external borrowing. Additionally, treasurers will look to optimize the timing of refinancing or deleveraging when possible.

AUTOMATION PUSH. The resulting pressure to reduce cost has catapulted digital transformation to the #3 priority, up from #6 last year. Less manual work – through cloud ERPs and the mainstreaming of AI and RPA – can help treasury scale while keeping headcount flat, allowing it to assume more strategic responsibilities.

Q: Please select the top-five objectives for your function in 2024

Members' Top Objectives for 2024

- Optimize internal liquidity management
- Optimize capital structure
- Accelerate function's digital transformation — 3rd highest priority in 2024—up from the 6th slot in 2023!
- Improve decision support through better analytics and modeling capabilities
- Improve collaboration with other areas within and outside of the finance function
- Establish or revise IR, FX and/or commodity hedging programs
- Develop/align finance skills with new business and technology requirements
- Other
- Support company's ESG and DEI initiatives
- Operationalize/investments in digital assets

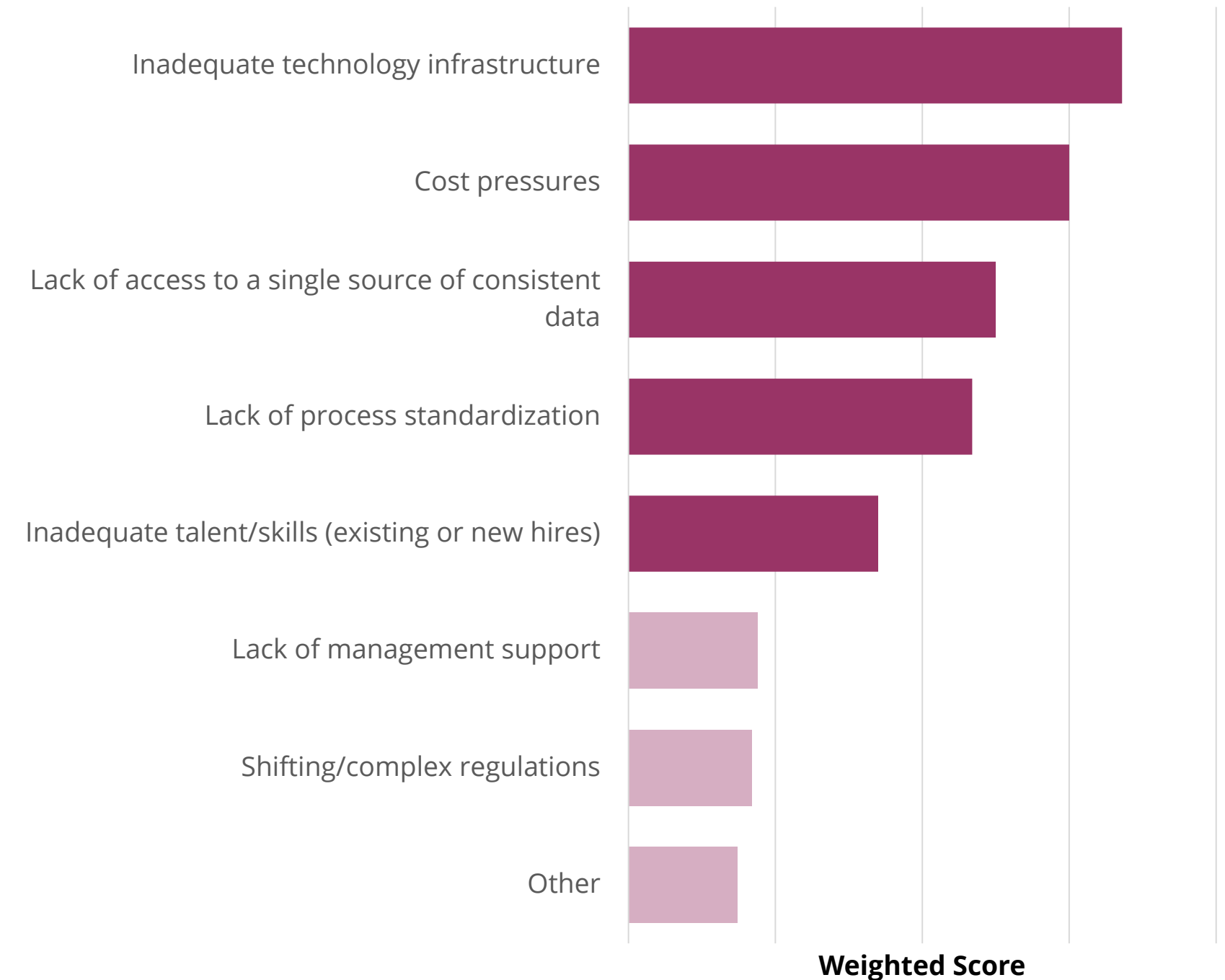**Weighted Score**

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Major Obstacles for Realizing Goals

CONTINUED CONCERN Digitization is a top priority because the absence of automation prevents treasury from achieving objectives such as increased decision support and strategic business partnering.

RESOURCE REQUIREMENTS

- New technologies require new investment, which is harder to get when companies are focused on cost reduction. This emphasizes the importance of a business case that measures the ROI on technology spend.

- Another obstacle is a lack of data, which stands in the way of offering meaningful decision support as well as optimizing and standardizing processes.
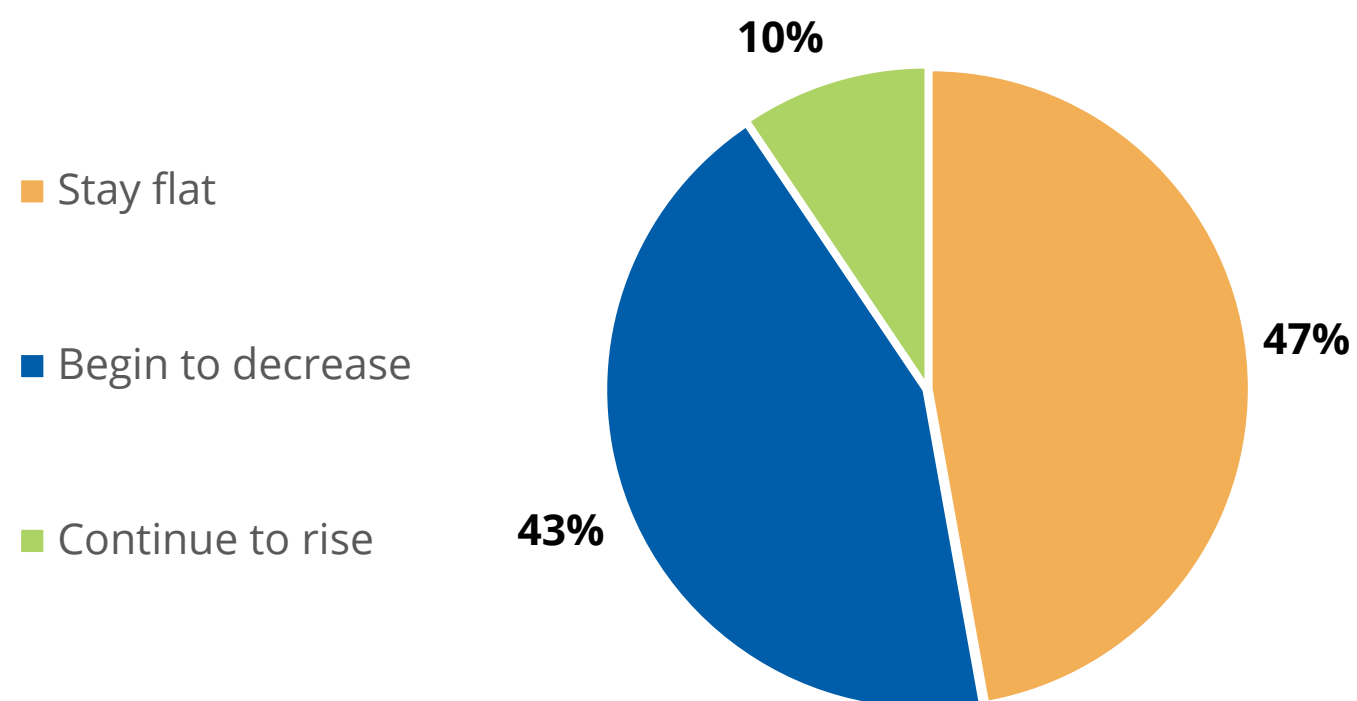
Biggest Obstacles to Realizing Objectives

Inadequate technology infrastructure
Cost pressures
Lack of access to a single source of consistent data
Lack of process standardization
Inadequate talent/skills (existing or new hires)
Lack of management support
Shifting/complex regulations
Other

Weighted Score

Q: What are the biggest obstacles to realizing these objectives?
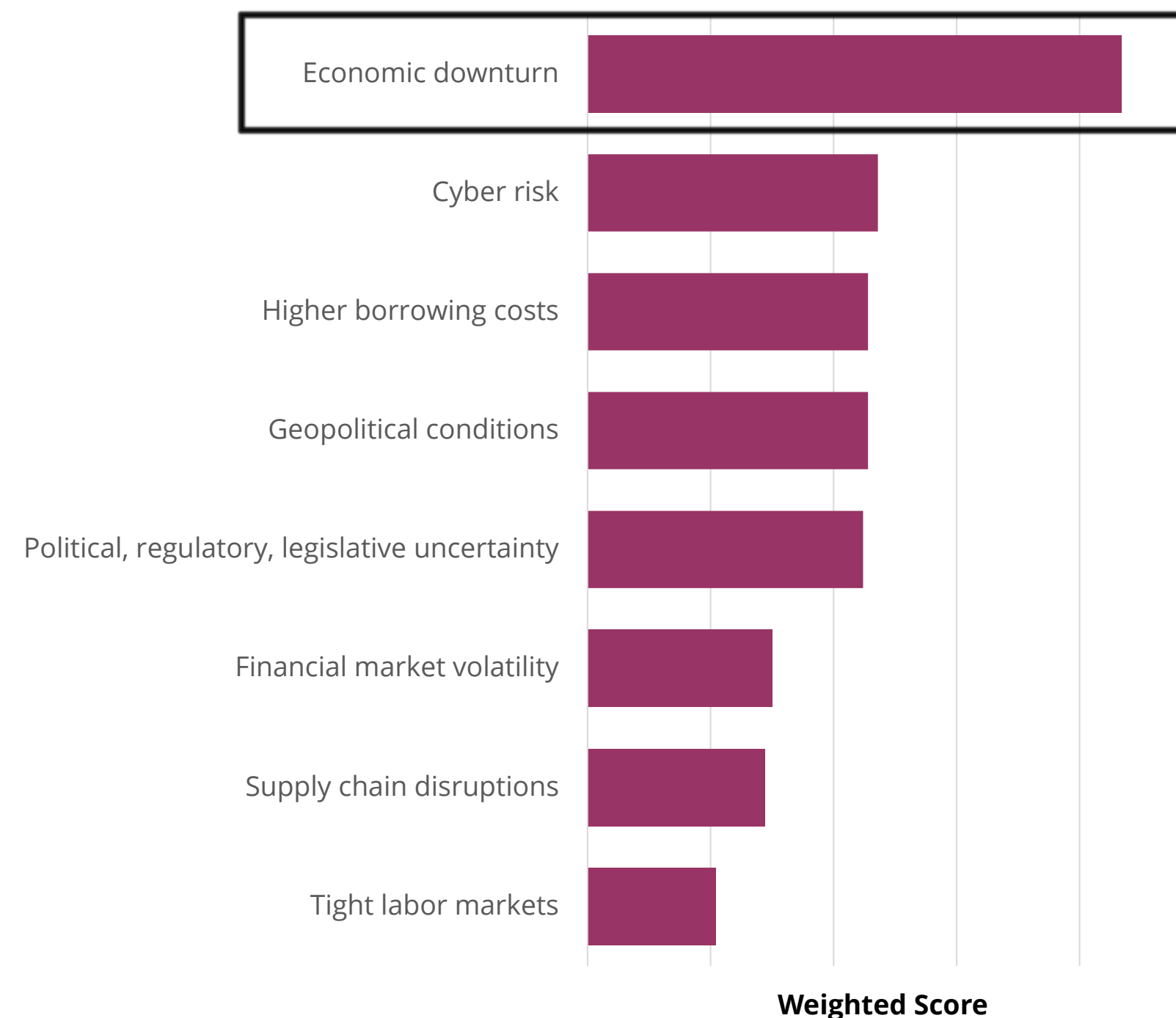
2024 Risk Outlook

ONGOING SQUEEZE ON MARGINS. Companies' biggest risk next year is **an economic slowdown with higher interest expense**, which portends weaker earnings, margin pressure and intensified calls to reduce cost.
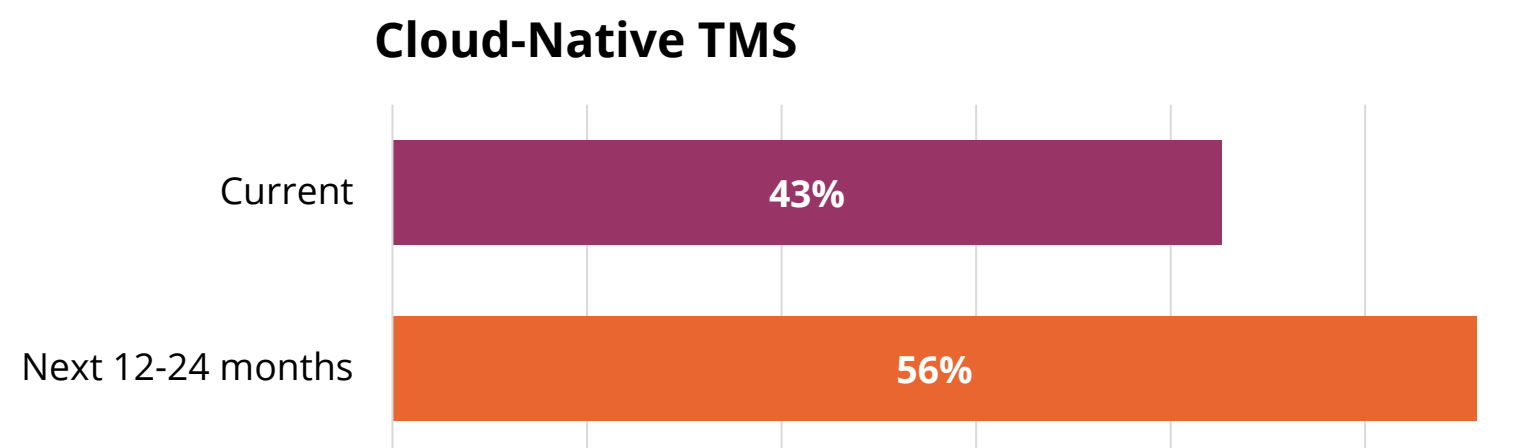
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2024 Interest Rate Expectations

- Stay flat
- Begin to decrease
- Continue to rise

10%
47%
43%

Biggest Risks in 2024

Economic downturn

Cyber risk

Higher borrowing costs

Geopolitical conditions

Political, regulatory, legislative uncertainty

Financial market volatility

Supply chain disruptions

Tight labor markets

Weighted Score

Q: What are the primary risks facing your organization in 2024?

Cloud Stagnation

UNREALIZED EXPECTATIONS. Every year, treasurers predict a significant migration to cloud-based applications, yet adoption is not keeping up. The lengthy timelines for cloud-based ERP migrations may be to blame.

TIME FOR TMS TRANSFORMATION. Current cloud-native TMS adoption has barely changed since 2022, although it is expected to shift in the next 12-24 months. This speaks to a lack of implementation resources and longer-than-expected timelines for new app rollouts and upgrades.

Percent of Responses With Over 80% Of Applications in the Cloud

Legend: ■ Current   ■ 12-24mo Projection

- 2021 Survey: Current 17%, 12-24mo Projection 33%
- 2022 Survey: Current 24%, 12-24mo Projection 33%
- 2023 Survey (This Survey): Current 17%, 12-24mo Projection 38%

Cloud-Native TMS

- Current: 43%
- Next 12-24 months: 56%
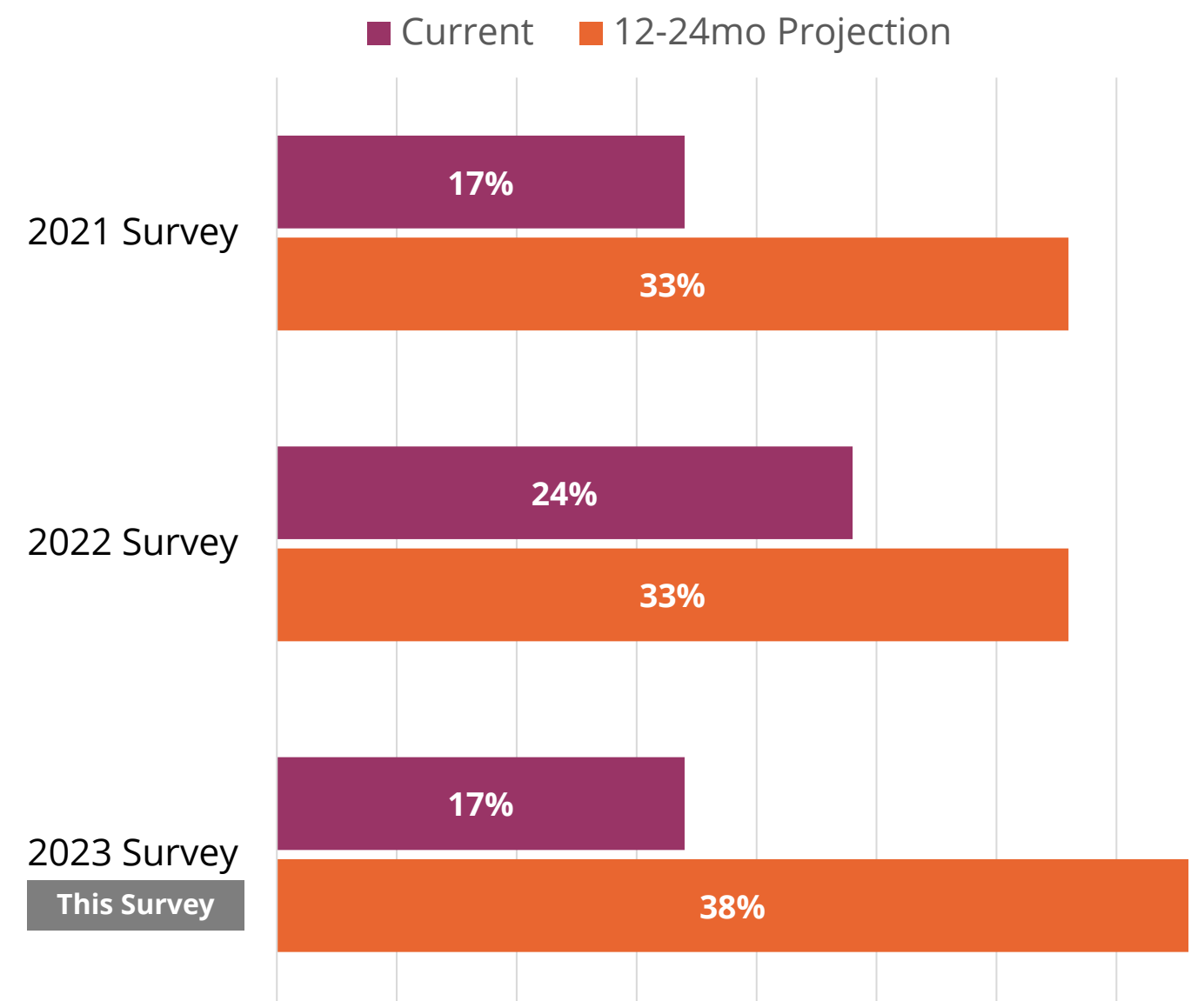
Q: What is your **current** and **expected** (12-24 months) level of adoption of cloud-based finance applications?
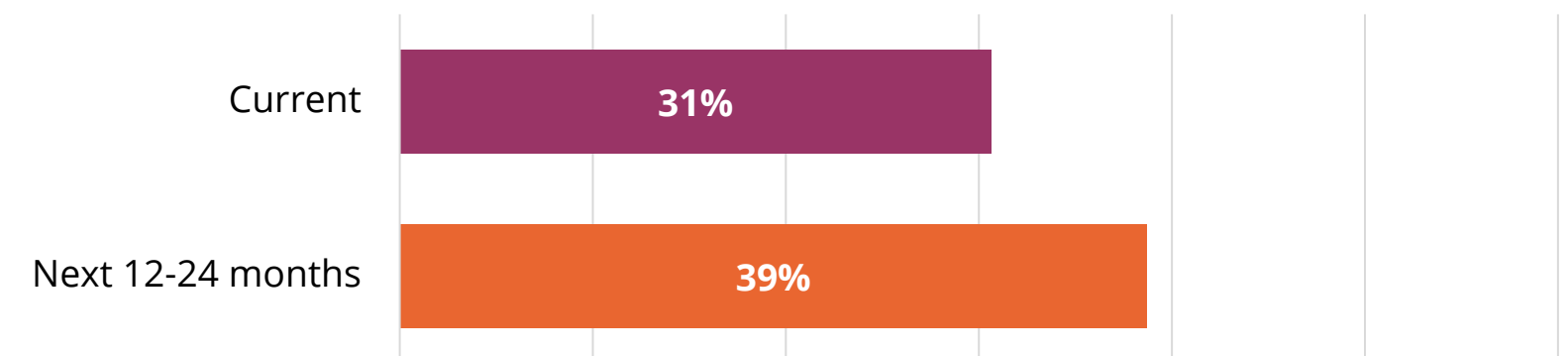
Digital Acceleration

SMART AUTOMATION. While cloud migration has stalled, the implementation of smart automation solutions has risen sharply between 2022 and 2023, with more implementations expected next year. Some of the most significant gains were in tools that eliminate manual intervention to free up staff to focus on value-creating work like decision support.
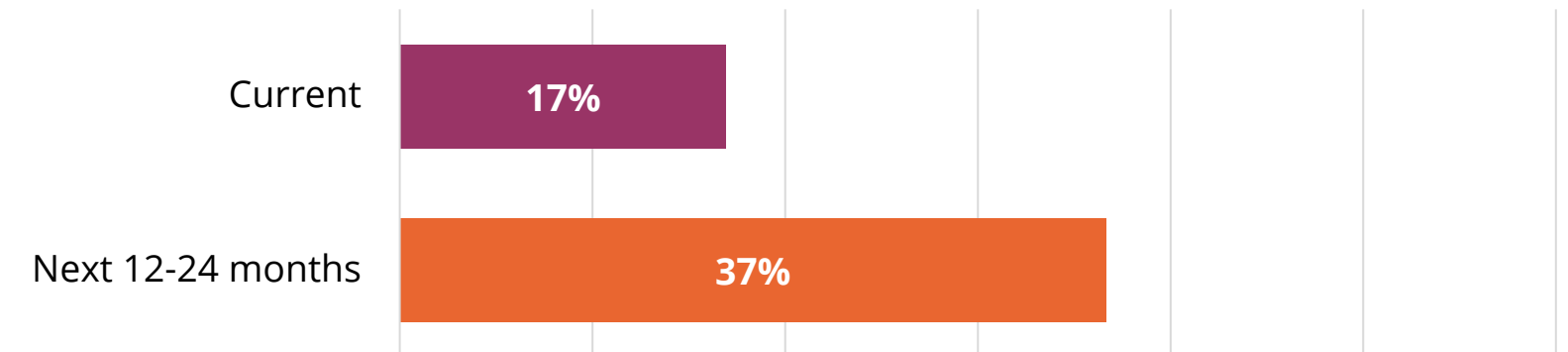
Year-over-year:

- RPA adoption more than doubled.

- Advanced analytics solutions adoption surged from 7% adoption in 2022 to 17% in 2023.

- AI and Machine learning jumped from no current adoption to 13%.

Robotic Process Automation

Current	31%
Next 12-24 months	39%

Advanced Analytics Solutions

Current	17%
Next 12-24 months	37%

AI/Machine Learning

Current	13%
Next 12-24 months	29%

0% 10% 20% 30% 40% 50% 60%

Percentage of Respondents

Q: What is your **current** and **expected** (12-24 months) level of adoption of the following technologies?
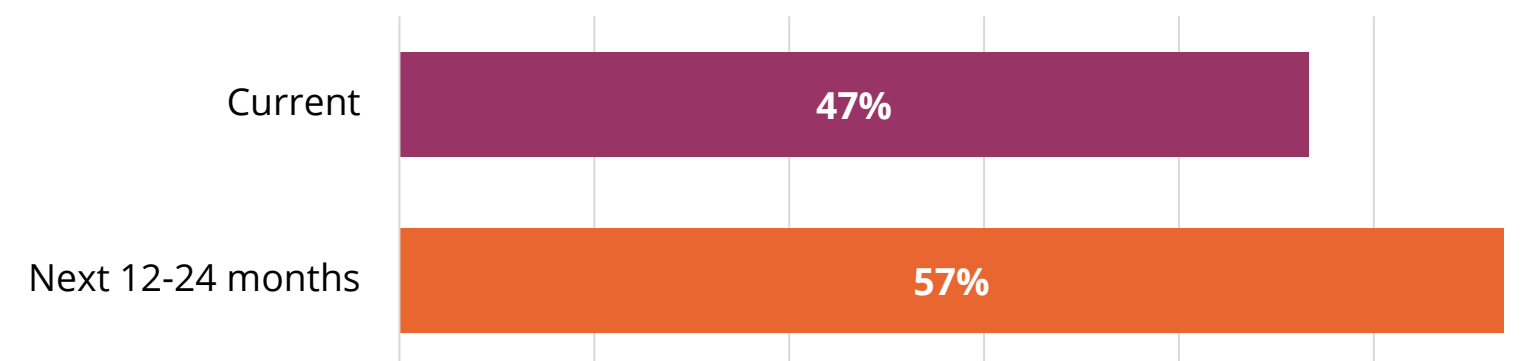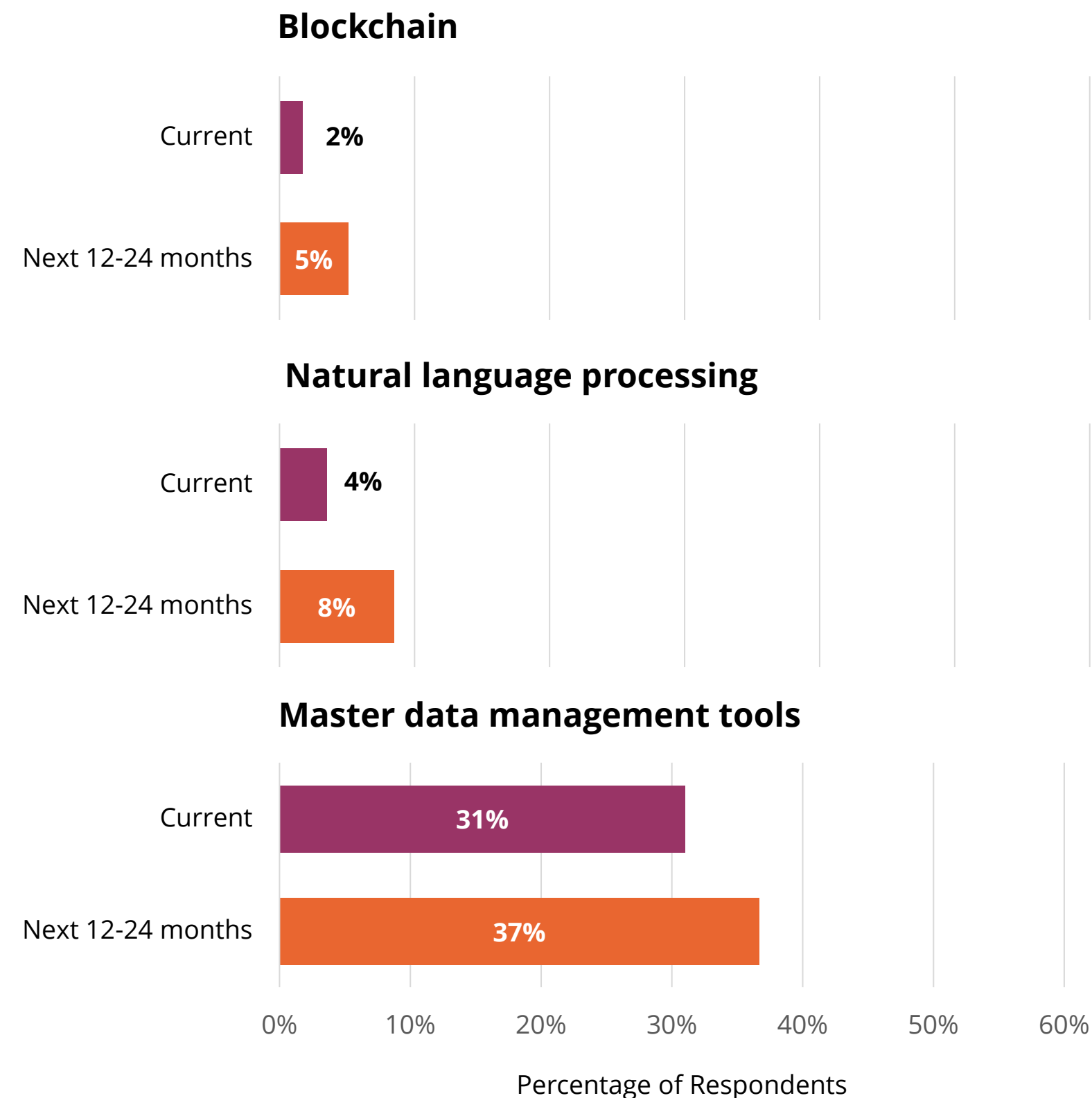
Data Processing

MASTERING THE DATA. The focus on master data management offers more certain beneficial outcomes and shows the uncertainty around natural language processing's value contribution in the near term. Blockchain warrants even less optimism.

Year-over-year:

- Blockchain adoption plans, current and near future, remain insignificant.

- Natural language processing to implement AI is surprisingly low.

- Treasury's focus is on data, yet the expected adoption of master data management tools is not a majority.

Blockchain

Current	2%
Next 12-24 months	5%

Natural language processing

Current	4%
Next 12-24 months	8%

Master data management tools

Current	31%
Next 12-24 months	37%

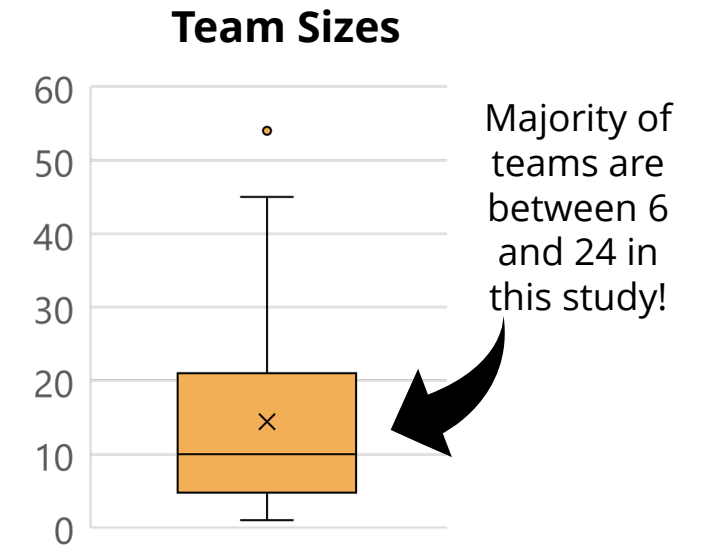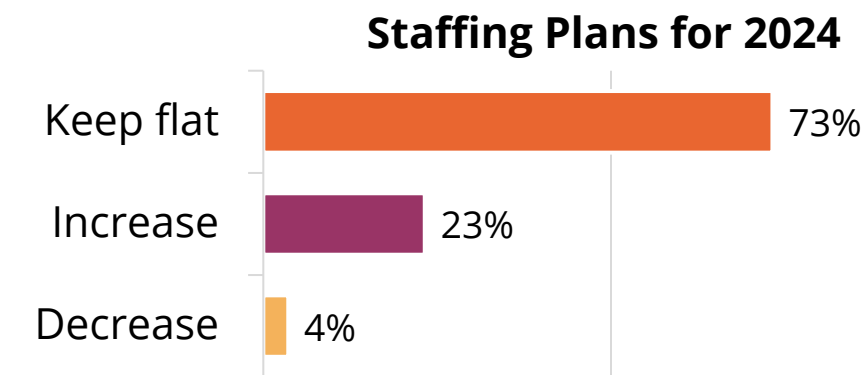0% 10% 20% 30% 40% 50% 60%

Percentage of Respondents

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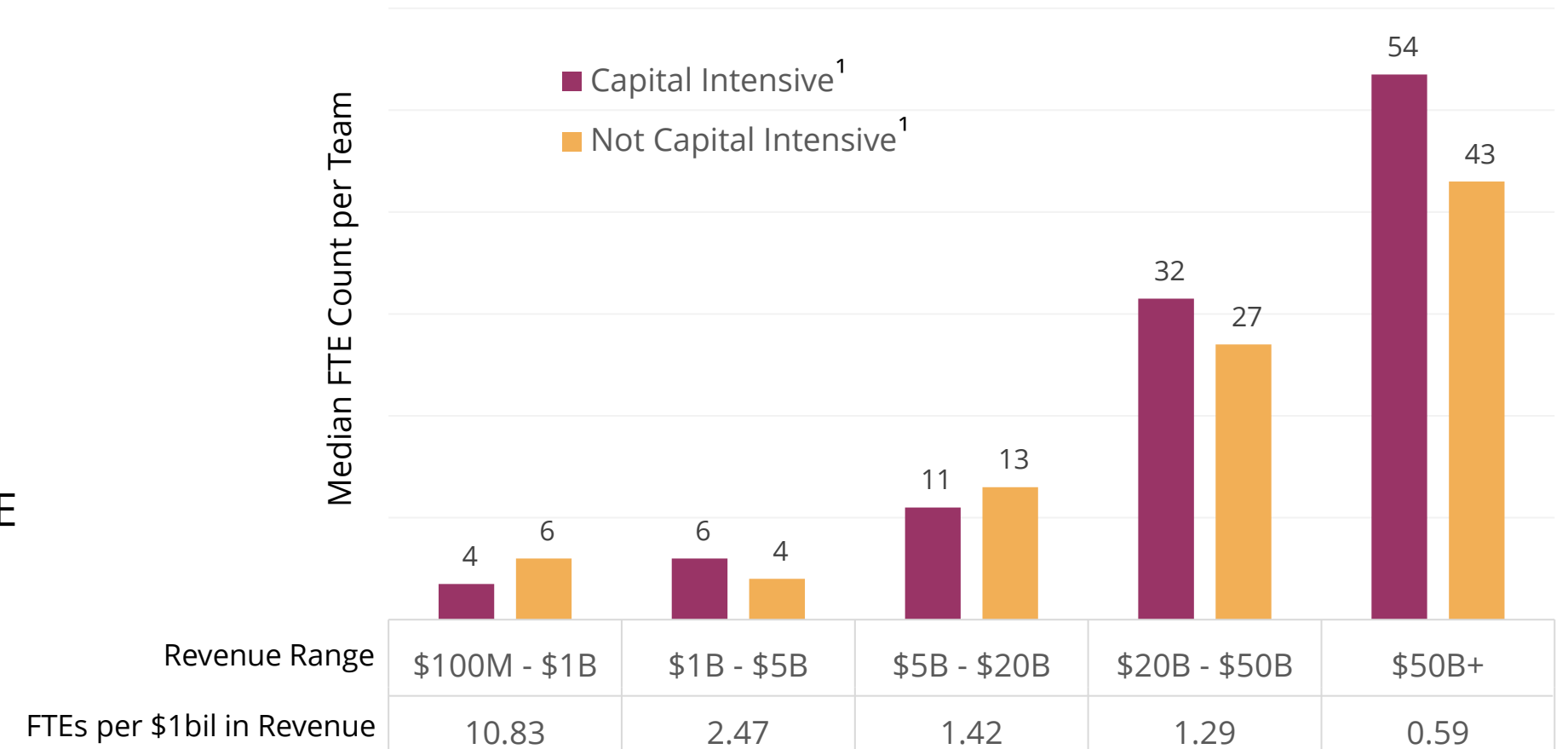
FTE Benchmarking Challenges

CORE TREASURY IS VARIABLE. As more companies pursue end-to-end process management it becomes more difficult to define "core treasury" and compare "treasury headcount" across companies. The nature of the business treasury supports—e.g., its capital requirements—is also a relevant factor for FTE counts.

DOUBLE- AND TRIPLE-HATTING. More treasurers are responsible for additional activities beyond treasury. This double- and triple-hatting is being pushed down to their teams. Fractionalized headcount creates efficiency but makes it more difficult to benchmark across companies.

TECHNOLOGY MATTERS. Technology and workflow improvements to enable automation is also disrupting FTE benchmarks by moving people into more senior, value-added roles. AI advancement will disrupt this further.

Team Sizes

Majority of teams are between 6 and 24 in this study!

Staffing Plans for 2024

Keep flat	73%
Increase	23%
Decrease	4%

**Median Headcount per Team
Split by Business Capital Requirements**

■ Capital Intensive[1]
■ Not Capital Intensive[1]

Median FTE Count per Team

Revenue Range	$100M - $1B	$1B - $5B	$5B - $20B	$20B - $50B	$50B+
Capital Intensive	4	6	11	32	54
Not Capital Intensive	6	4	13	27	43
FTEs per $1bil in Revenue	10.83	2.47	1.42	1.29	0.59

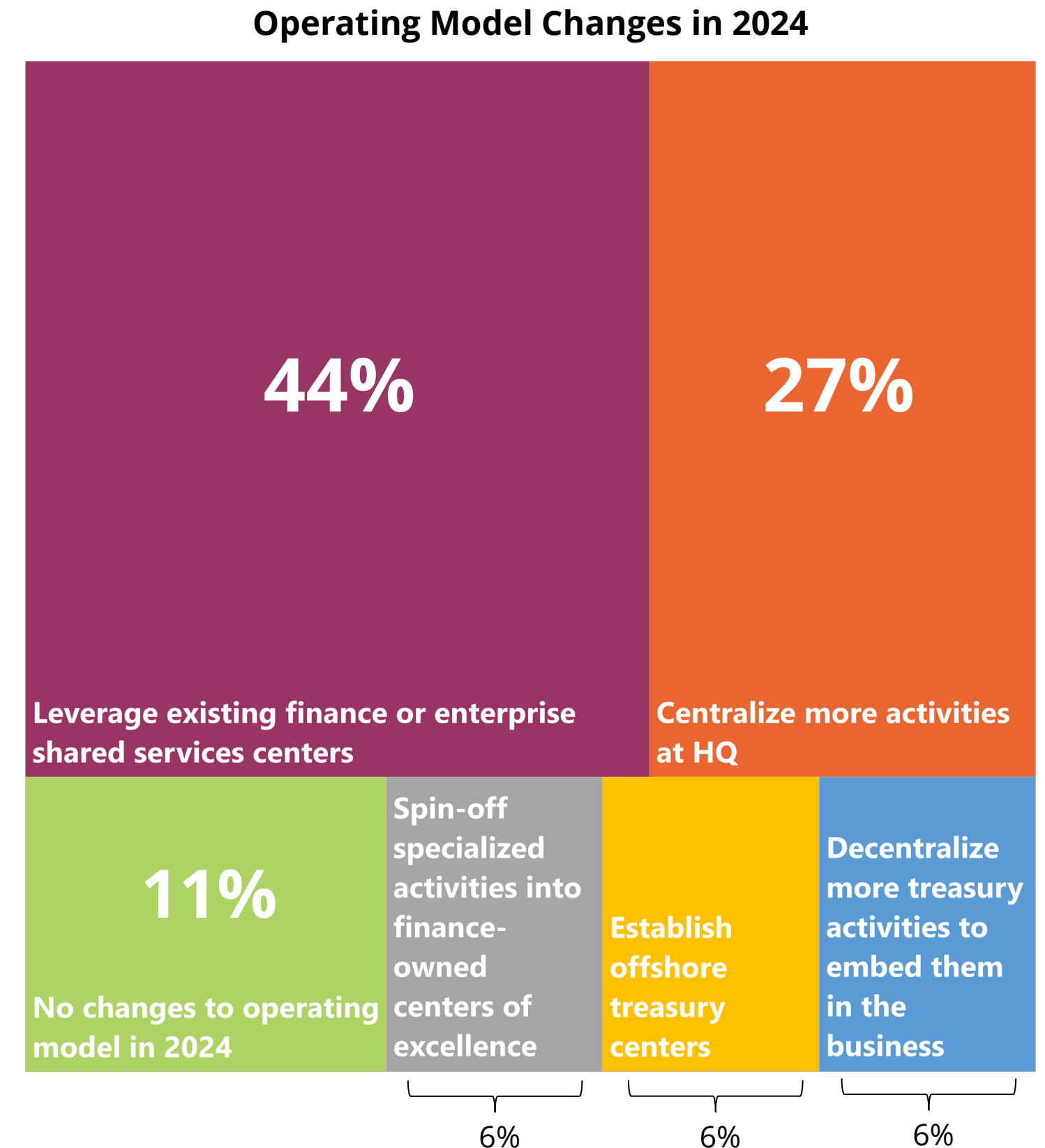**Q:** What is your FTE count in core treasury?

* Core treasury includes headcount responsible for: Bank account and relationship management, capital structure management, cash forecasting and liquidity planning, cash operations, capital markets, investment management, risk management (FX, interest rates, commodities)

[1] *Defined by industries with Net Cap Ex/ EBIT (1-t) greater than 50%*

Operating Model Change

CENTRALIZATION. Treasurers continue to look to centralize more treasury activities either by leveraging existing finance or shared services centers (**44%**) or centralizing more activities at HQ (**27%**). For firms at lesser treasury maturity stages, there is also the action of creating specialized centers of excellence or more traditional treasury centers.

SUPPORTING BUSINESS AGILITY. A countertrend (at just **6%**) is to decentralize treasury activities and seek to embed them closer to the business. Workflow and automation technology should enable treasury to embed best practices and governance along with more direct business support.

Operating Model Changes in 2024

44%
Leverage existing finance or enterprise shared services centers

27%
Centralize more activities at HQ

11%
No changes to operating model in 2024

Spin-off specialized activities into finance-owned centers of excellence

Establish offshore treasury centers

Decentralize more treasury activities to embed them in the business

6%   6%   6%

Q: What changes (if any) are you planning to make to your operating model in 2024?

Action Items List

1

Weigh options for two rate scenarios.

- Improve liquidity and working capital management to weather potential recession.
- Buy time and optionality with capital structure to gain certainty on rates staying higher for longer or being cut in downturn.
- Get leaner and smarter with automation, analytics and AI/ML solutions.

2

Prepare your capital plan accordingly.

- If your firm has capital-intensive business changes ahead, map out new capital raises with your rate scenarios.
- If still de-levering, don't be afraid to refinance opportunistically to hedge against higher for longer.
- Be open to more floating rate exposure to benefit from rate cuts.

3

Pull out of the stall and into the cloud.

- Lean into efforts to advance cloud-based application adoption.
- Master your data so that it works for you rather that you working for it.
- Make the most of new cloud app data connectivity and integration features to empower your decisions with AI/ML solutions.
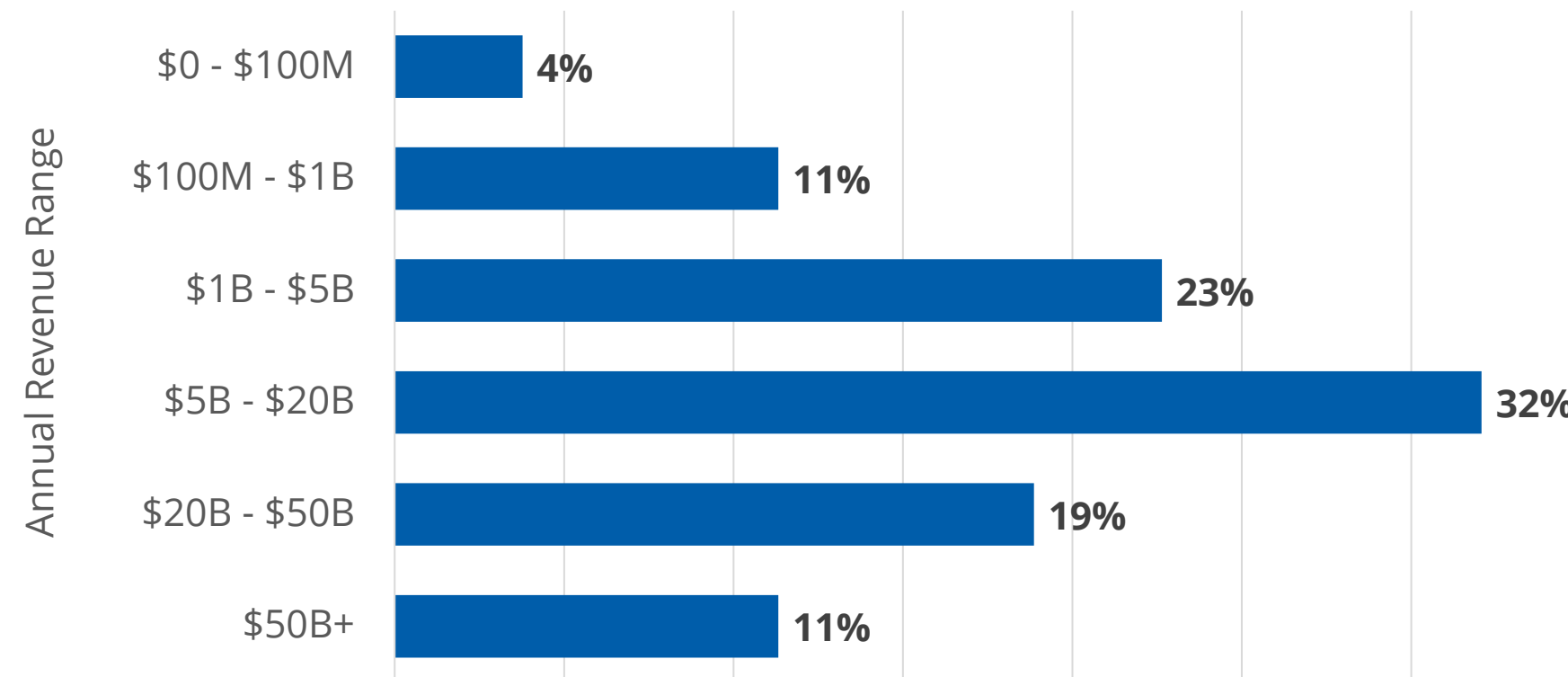
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Rethink human capital.

- As better workflow tools and smarter automation accelerate, think anew about what treasury people do.
- Widen the scope of responsibilities and push downward the multi-hatting of finance roles at the senior executive level.
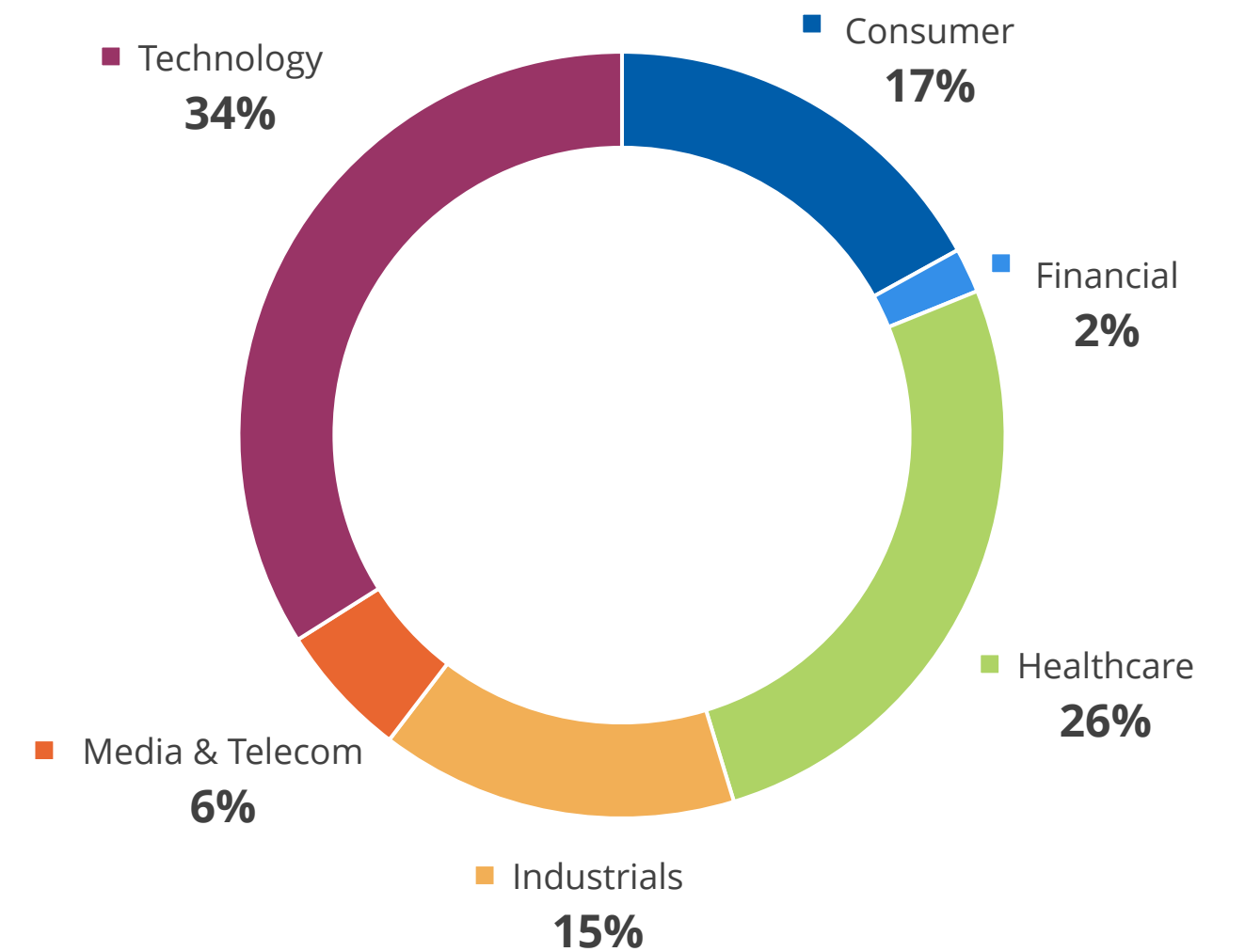- Prepare staff for scenarios beyond their experience.

Thank You for
Completing Our Survey!

If you have any questions about the results,

feel free to contact:

NILLY ESSAIDES

Managing Director of Research & Insights

nessaides@neugroup.com

WWW.NEUGROUP.COM

914.232.4068 I info@neugroup.com

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